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26 May 1956

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Transmittal of Contribution to Project 10.1095

1. Transmitted herewith is the contribution to Project 10.1095 which calls for revision and updating of the economic sections of the OCI Handbook: Rumania.

2. Throughout the contribution, Bloc has been used to include the USSR and the seven Eastern European Satellites. Orbit includes the Bloc plus Communist China, North Korea, and communist portion of Indochina.

3. It is requested that the spelling of the geographical names in Section J: Transportation be checked.

4. The entire contribution was coordinated within ERA on 24 May 1956. The economic section of the revised Handbook can be dated accordingly.

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REVISION OF OCT HANDBOOK: ROMANIA

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Current Issues, 27 Jan '56, paragraph 3.

The outline of the Rumanian Second Five-Year Plan (1956-1960), the first of the Soviet Bloc's new five-year plans to be spelled out in detail, was announced at the congress. In line with recent regime propaganda, the plan reflects the expected emphasis on the expansion of the means of production. It calls for an over-all increase in industrial output of 60 to 65 percent, including a 70 to 75 percent increase in capital goods and a 50 to 55 percent increase in consumer goods. Nevertheless, the additional emphasis afforded agricultural investments under the "new course" has been retained while the new course stress on consumer goods production has been reduced. Total planned investments are scheduled to increase between 67 and 75 percent.

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III. ECONOMIC

A. Currency

1. Basic Monetary Unit: The lei (pl. lei).

2. Exchange Rate: On the official exchange 6.00 lei = US \$1 and 1.50 lei = 1 ruble. The official rate, however, grossly overvalues the purchasing power of the lei relative to the dollar.

B. Banking System: The State Bank, the Investment Bank, the Savings Bank, and the Agricultural Bank constitute the Romanian banking system. The system is designed to foster monetary conditions and plan implementations which are consistent with the regimes over-all economic policy. In this context, the banking system is charged with monitoring the circulation of currency, overseeing the extension and use of short- and long-term credit, channeling private savings into productive use, and acting as the government's fiscal agent in domestic and foreign transactions. Unlike Western banking systems, however, the Romanian system has little autonomy being constrained by the financial plan which is a derivative of the production plan.

C. Economic Trends

1. Basic Economic Factors: At the present time, Romania might best be characterized as an agricultural - industrial economy. While approximately 36 percent of the 1954^{estimated} gross national product (GNP) of slightly more than \$3 billion originated in the industrial sector (as compared with about 26 percent from the agricultural sector), over half of the labor force is engaged in agricultural pursuits. The industrial

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sector, however, has been growing at a prodigious rate in the postwar period, so that, despite the continued poor results in the agricultural sector, Rumanian GNP had nearly attained its prewar level.

Year	<u>Gross National Product</u>		<u>Industrial Production</u>	<u>Agricultural Production</u>
	<u>Billion US \$</u>	<u>Indexes</u>	<u>(1948 = 100)</u>	
1938	3.1	120	121	134
1948	2.57	100	100	100
1950	2.72	105	142	93
1952	2.72	105	181	90
1954	3.02	117	216	97

2. Currency Stability: Although the financial plan is supposed to insure that domestic monetary factors have no untoward effects on economic conditions, such a result has not prevailed in Rumania. In an attempt to curb serious inflationary pressures, the regime initiated a drastic currency reform in January 1952. This reform coupled with the increased supplies of consumer goods made available under the "new course" permitted almost universal de rationing in December 1954. Since that time, however, prices have risen appreciably despite subsequent price reduction decrees.

3. Government Controls: Since the return of all but one of the Soviet-Rumanian joint enterprises, all major industrial firms and trading establishments are legally owned by the Rumanian government. Transportation and communications media as well as the banking system are wholly state owned. Slightly more than 25 percent of Rumania's arable land is operated by state farms, collectives, and peasant

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cooperatives. Thus, a substantial element of private entrepreneurship remains in agriculture and to a much smaller degree in retail trading.

As in other Communist countries, all transactions with foreigners are subject to rigid government controls and production and investment plans are established by the government for the various economic sectors.

D. Annual Budgets: Rumanian state budgets (given below in billions of lei) are more comprehensive than the U.S. federal budget and represent an important facet of the government's direction and control of economic development.

<u>Year</u>	<u>Total Budgeted Expenditures</u>	<u>Military Allocations</u>	<u>Financing the National Economy</u>	<u>Social and Cultural Allocations</u>
1956	44.4	4.0	26.1	7.7
1955	43.0	4.5	24.4	7.0
1954	39.3	4.3	24.0	4.7
1953	37.5	6.8	21.7	4.2
1952	30.6	5.0	16.1	4.2

E. Economic Aid: Reliable information on the extent of aid to Rumania is seriously deficient. The USSR is by far Rumania's predominant trading partner. Consequently, Rumania does receive large shipments of Soviet equipment for use in its domestic industry. The USSR also provides important technical assistance to the Rumanian government, industry, and agriculture. Although the dependence on both Soviet and other Satellite economic aid remains important, the degree of such reliance has diminished as the Rumanian economy has developed.

F. Natural Resources

1. Agriculture: The contribution made by agriculture to Rumanian gross national product is estimated currently to be slightly more than 25%. Although this is a decrease compared to the prewar share, the absolute level of total agricultural production in 1955 has exceeded the prewar volume of output.

In 1955, there was a total of 9.7 million hectares of arable land in Rumania. Of this area, 76.7% is devoted to the cultivation of grain crops. After years of below-average production, total grain output in 1955 had very nearly regained the total grain prewar production level. This 1955 output of total grains (excluding rice) represented approximately 5.2% of total grain production in the Orbit.

Cattle, hogs, and sheep are important livestock categories in Rumania. The greatest increases in livestock numbers relative to prewar have occurred in hogs and sheep. Because of these increases, meat, milk, and wool production are currently greater than the prewar levels. The 1955 estimate of meat production for Rumania represented 3% of the total Orbit output; wool, 6.2%; and milk, 3.6%.

Timber production in 1955, only slightly different from prewar years, has increased from 15 million cubic meters in 1950 to nearly 17 million cubic meters in 1955. This latter figure represents 3.4% of the Orbit total.

Despite the reported increase in the total agricultural production since the announcement of the "new course" program, the total caloric food consumption and the quality of the diet in Rumania ^{etc} is still below prewar levels. Prices of main agricultural foods are also high relative to income earned by the population, even though successive price reductions have implied the contrary. Exports of food products furthermore are still an important element of foreign exchange earnings.

During the First Five-Year Plan the progress of socialization in the agricultural sector has been less rapid and less forceful than in most of the other Eastern European Satellites. The socialist sector of agriculture (which includes state farms and all forms of collectives) has increased from only 12% of the total arable land in 1950 to approximately 26.5% by the end of 1955. Contrary to "new course" results in other Satellites, there was little or no retrenchment of the socialist sector after the inauguration of the "new course" program in August 1953.

The Second Five-Year Plan implies a more forceful approach to collectivization compared to most previous efforts. It was stated that the predominance of the socialized sector must be attained and that the production of this sector must constitute 60-65% of total marketable goods.

2. Minerals: In view of the planned increase in pig iron production, reserves of iron ore are deemed to be inadequate. It was necessary to import some iron ore in 1955, and imports on an increasing scale will be

necessary as pig iron production increases. Production of ferromanganese and chromite, though not large, is sufficient to permit small exports. In 1955, Rumania produced 250 flasks of mercury, 11,000 metric tons of lead, 6,000 metric tons of zinc, and 3,700 metric tons of copper. Most of the bauxite and small quantities of lead and zinc are exported. Copper and mercury must be imported.

3. Fuels and Electric Power Production of crude oil, natural gas, coal, and fuel wood makes the country largely self-sufficient in fuels, but the quantities are insignificant relative to world production. Production of 11 million metric tons of crude oil (including natural gas liquids) in 1955 represented about 12% of Orbit output and permitted an export of 6.8 million metric tons of crude oil and refined products. Natural gas production was 4.4 million metric tons or about 33% of Orbit output. The exploitation of extensive coal deposits gave rise to production of 6.2 million metric tons (more than double 1938 output) in 1955. Nevertheless, domestic supplies of coking coal are inadequate. The production of 7 million cubic meters of fuel wood is a substantial contribution to Rumanian heating requirements.

An estimated installed capacity of 1.33 million ^Kilowatts produced approximately 4.3 billion kilowatt-hours of electricity in 1955. This was less than the planned production of 4.7 billion kwh and constituted less than 2% of Elec output.

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0. Industry

1. Capital Goods: Rumania's small metallurgical (575,000 metric tons of pig iron and 560,000 metric tons of finished steel in 1955) and engineering industries are growing steadily. Although still incapable of meeting all domestic needs, they now produce some items in sufficient quantities to permit exports. Chief among these exports are petroleum equipment, locomotives and rolling stock, agricultural machinery, and electrical products.

These industries would be vulnerable in wartime because of their reliance upon external supplies of iron ore, metallurgical coke, some ferrous and nonferrous metals, and complex technical equipment.

2. Chemicals: Although small by Orbit standards, the Rumanian chemicals industry produced adequate amounts of basic industrial chemicals (excepting artificial fertilizers and coal chemicals) for domestic needs. Reflecting the potential abundance of chemical raw materials in Rumania, the industry is slated during the Second Five-Year Plan to expand several fold in tonnage and variety so that Rumania will become a significant contributor to Orbit chemicals production. The implementation of this expansion program, however, will entail substantial assistance from more technically-advanced Orbit countries.

3. Consumer Goods: Domestic production of such consumer goods as textiles, shoes, and household equipment accounts for most of the supply of these goods available in Rumania. Small quantities of electrical and

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manufactured consumer goods are imported, however, and furniture is exported.

4. Munitions Munitions production, resumed in 1949, currently consists of moderate quantities of small arms, mortars, ammunition, explosives, explosive devices, and possibly some light artillery. The small size of this industry indicates that most of the industry's materials requirements could be met from domestic sources. The industry, however, would not be capable of fulfilling Romanian military needs in wartime.

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H. Foreign Trade

1. Trade with the West: In 1954, Rumania's total trade with the Free World countries was valued at approximately \$155 million; this represented 20% of Rumania's total trade turnover. In 1955, Rumania's trade with the Free World increased to a level of approximately \$173 million.

In 1954, the major exports were: mineral fuels, \$41 million; crude materials, \$26 million; and agricultural materials, \$14 million. Exports to Western Europe represented 80% of the total; trade with countries in the Near East and Africa, and Latin America represented 11% and 7% respectively. Principal imports were: crude materials, \$21 million (of which 70% were textiles fibers^b); manufactured goods, \$17 million; and foodstuffs, \$13 million. Exports from Western Europe accounted for 74% of the total; imports with countries in the Near East and Africa, and Latin America each supplied about 12% of the total.

2. Trade within the Sino-Soviet Bloc: In 1954, 80% of Rumania's total trade was with other Orbit countries. Principal exports were products of the oil and lumber industries. Imports consisted largely of industrial equipment, industrial raw materials, and consumer goods.

In 1955, trade with Orbit countries was valued at \$695 million, again representing 80% of the total trade.

3. Balance of Trade: If trade with Finland is included, Rumania had a favorable balance of trade with the Free World in 1954 of \$21 million.

A trilateral trade agreement between Rumania, Finland, and the USSR, however,

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has earmarked Rumania's large commodity surplus with Finland for payment on Rumanian-Soviet account. The net surplus on trade with Finland, accordingly, was not available to pay for Rumania's Free World imports but was actually an integral part of its intra-bloc trade. If trade with Finland is excluded, Rumania had a trade deficit with the Free World in 1954 of \$2.9 million. This relatively small deficit, however, represents a substantial improvement over Rumania's payments position in 1952 and 1953.

In 1952, the last year for which a balance of trade figure with Orbit countries is available, Rumania had a deficit of \$3.4 million.

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I. Telecommunications

1. Domestic: The Ministry of Posts and Telecommunications is responsible for all of the basic civil telecommunications services in Rumania. Domestic telephone and telegraph service is provided by a wire and cable network. The country, except for the Carpathian mountain area, is well covered by this network. At the end of 1955, there were an estimated 140,000 telephone subscribers. Functional telecommunications networks are maintained and operated by the railroad and river transport organization, armed forces, meteorological service, aeronautical service, and other organizations.

There were an estimated 640,000 radiobroadcast receivers, and 520,000 wired loudspeakers in use at the end of 1955. The number of wired loudspeakers has increased 850 percent since 1950, indicating the amount of emphasis placed on this closed-circuit medium.

The first Rumanian television transmitting station was recently placed in experimental operation in Bucharest. Thus far, about 100 television receivers are in use.

2. International: Bucharest is the main international telecommunications center of the country. Wirelines and radio facilities provide international communications service to European and World telecommunications centers. International broadcasting service is provided by radio transmitters located near Bucharest.

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J. Transportation

1. Railroads: The railroads are the most important mode of transport in Rumania, accounting for about 87 percent of total freight traffic. There are about 6,450 route miles of standard gauge line including 36 miles of electrified line. Although the net is developed most extensively in western, southeastern, and central Rumania, almost all significant urban centers are served by rail. There are direct rail connections with all neighboring states including transloading facilities between Rumanian standard gauge lines and the Soviet broad gauge system. These transloading stations are located at Galati, Socola, and Iernesti. Traffic control devices, primarily modern signal and communications equipment, are not highly developed. Locomotive and freight car inventories are for the most part old and subject to intensive utilization. The railroad system is fairly efficient, however, and capable of meeting current traffic requirements.

2. Roads: Highway transport is of relatively little importance in Rumania, serving primarily to supplement in a minor way the railroad system. Of a total of 42,000 miles of roads, only 55 percent are surfaced. Though fairly well distributed, the density of the road net is very low and the condition of the roads is poor.

3. Merchant Marine: Rumania has nine ocean-going vessels over 1,000 GRT (gross register tons), totaling 33,706 GRT. All these ships were

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built in foreign yards before World War II. In addition, four small (under 1,000 GRT) cargo ships built in the period 1950-51 engage in sea trading.

There are no tankers in the fleet.

The seagoing merchant marine operates primarily between ports on the Black Sea, the eastern Mediterranean and the southern Adriatic (Albania). Rumanian ships also call occasionally at most West European ports.

Constanta, located on the Black Sea, is the chief seaport, although both Giurgiu and Galati, on the Danube River, are of some importance in ocean shipping.

4. Inland Waterways: Although its share of traffic is small, inland water transport is important in both foreign and domestic traffic. The system consists primarily of the Danube and portions of the Prut and Siret rivers. Ports are equipped to handle large quantities of grains, timber and petroleum. Detailed and accurate data on current fleet inventory are not available. It is estimated, however, that the Rumanian river fleet totals approximately 340 units: 44 tugboats; 279 dry cargo and tanker barges; 17 passenger vessels.

Water transport plans include construction of the strategically important Danube-Black Sea Canal, which would reduce the Danubian route to the sea by some 170 miles. Work was halted in the summer of 1953 and there appears to be no evidence of resumption.

5. Civil Air: Transporturi Aeriene Romane (TAROM), the Rumanian air carrier, has domestic flights which connect Bucharest with Galati, Tulcea,

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Bacău, Iași, Sibiu, Iova, Orășel Stalin, Fărgul Mureș, Cluj, Galați, Oradea, Timișoara and Arad. Fifteen two-engine aircraft serve the internal routes as well as external routes to Berlin, Prague and Budapest. A 1955 air agreement with the USSR, as yet unimplemented by scheduled flights, grants Romania the right of flight to Moscow.

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